AR18

NUMAC OIL & GAS LTD.

FIFTH ANNUAL REPORT

FOR THE PERIOD ENDING DECEMBER THIRTY-FIRST, 1967

Transporting fuel to diamond drill site, Lake Athabasca area, Saskatchewan.

AR18

year, Numac and Imperial entered into a Farmout Agreement with Copper Range Exploration Company, Inc., and associates of New York, covering 196,260 acres in the Charlebois Lake area. In order to earn a 50% interest that group must do all exploration work on these properties for two to three years or until an agreed amount of money has been spent. The third Numac-Imperial farmout was completed in March, 1967 with a group of Vancouver, B.C. mining people under the new corporate indentity of Pan-Cora Development Ltd. To earn a 50% interest in the 10,396 acres involved in the general Uranium City area, Pan-Cora must spend a predetermined amount on exploration work within a three year period.

Considerable work was done by Numac and Imperial on all properties last year with the exception of the 180,900 acre Camsell Portage permit picked up in December, 1966, which permit is being actively explored this year by Numac-Imperial. In addition, the latter companies are now carrying out a further more-detailed study (including drilling) of key prospects on Uranium City Permit #1 and adjoining properties totalling 205,530 acres. Copper Range, et al and Pan-Cora are now engaged in a full scale exploration program on the properties mentioned above.

When all parties fulfill their earning requirements, Numac's net ownership in the various properties will be:

Camsell Portage - - - - -	180,900 acres — 50%
Uranium City (not including Pan-Cora farmout) - - -	205,530 acres — 50%
Uranium City (Pan-Cora farmout) - - -	10,396 acres — 25%
Charlebois Lake (Copper Range farmout) -	196,086 acres — 25%
Total -	593,086 acres

W. S. MacGregor
President

August 14, 1967.

1867 1967

Interim Report

FOR THE SIX MONTHS ENDED JUNE 30, 1967

NUMAC
OIL & GAS LTD.

11055 - 107 STREET
EDMONTON, ALBERTA,
CANADA.

to the shareholders

During the first six months of 1967 Numac drilled three oil wells in the Red Earth and Utikuma Lake areas and ran production casing in two wells on its Zama Lake leases. In addition, a two zone gas well was completed in the Tangent area. Several strategically-located petroleum and natural gas parcels were acquired in the Red Earth, Cochrane and Zama areas. Additional ground was staked to fill out the Company's uranium holdings in the Camsell Portage-Uranium City-Charlebois Lake areas of northern Saskatchewan as a result of leads obtained from exploration and assessment work. Numac's oil and gas and mineral interests now total 1,376,000 gross (1,062,000 net) acres, an increase in excess of 216,000 gross (98,000 net) acres over holdings as of the end of the same period last year. Income for the six month period amounted to $225,850 which was an increase of 31% over the first six months of 1966. Working capital as of June 30, 1967 was $902,000 and Numac remains in a debt-free position.

oil and gas

Briefly, the following sets out Numac's more significant first half activities on its oil and gas holdings, by area.

- **RED EARTH**—A Granite Wash oil well was completed in Lsd. 12-12-88-9 W5M. Three half sections were purchased at the April Crown sale, all of which are considered strategic to producing wells and other Company land holdings. Further drilling on certain Red Earth properties will be announced at a later date. Numac holds an undivided 50% interest in most of these properties.

- **UTIKUMA LAKE**—Under a Farmout Agreement, Atlantic-Richfield pooled N½ 20-81-8 W5M with Numac et al's S½ 20 and drilled a dual zone oil producer (Gilwood and Keg River Sand) free to Numac et al. A second dual zone well has been drilled jointly by the group. Numac's net interest in the section and two producers is 15%.

- **ZAMA LAKE**—Numac holds an 8 1/3% interest in two half section parcels purchased at the April Crown sale by a group of companies. Production casing has been run in wells drilled on each of the tracts, but details must remain confidential for the time being because of future land sales in the area.

- **COCHRANE**—The Company holds interests of 20% and 50% in 48,000 acres (approximately) situated in this gas potential area southwest of Calgary, Alberta. Prompted by encouraging results from an earlier exploratory test and seismic information, a second Mississippian test (approximately 10,000 feet) is now drilling. Numac's share of the test is 20%.

- **TANGENT**—A two zone gas well (in the Peace River Sand and Gething zones) was recently drilled in Lsd. 11-30-80-23 W5M on Numac's 11,200 acre petroleum and natural gas reservation. It has been completed and capped pending market availability. Under a recently negotiated Agreement, Banner Petroleums Limited (exploration company formed by Trans-Canada Pipe Lines Limited) supplied the entire costs of the well. Numac's net retained interest is 50%.

- In exchange for drilling the Tangent well and supplying additional unspecified exploration costs, Banner has the right to earn from Numac a fifty (50) percent interest in seven other northern Alberta reservations totalling 218,424 acres.

financial

	First Half 1967	First Half 1966	
Production Income -	$180,723	$124,000	+ 46%
Interest - - - -	26,203	41,000	— 36%
Other Income - -	18,924	7,000	+170%
	$225,850	$172,000	+ 31%

Overall income of the Company for the first six months of 1967 increased from $172,000 to $225,850, up 31% over the corresponding period of 1966. Net production in barrels rose from 61,082 to 91,215, an increase of just under 50%. Leases and reservations were acquired during the first half of the year at a cost of $345,000. Working capital at June 30, 1967 was $902,000.

uranium

As of June 30, 1967, Numac's mineral claim, claim block and permit holdings in the Camsell Portage-Uranium City-Charlebois Lake areas of northern Saskatchewan totalled 593,086 acres.

To summarize arrangements completed to date on these properties, Numac's initial agreement was made in May of 1966 with Imperial Oil Limited whereby that Company undertook to supply a major portion of the exploratory costs over a period of three years to earn a 50% interest in the entire acreage. In May of this

NUMAC OIL & GAS LTD.

FIFTH ANNUAL REPORT

FOR THE PERIOD ENDING DECEMBER THIRTY-FIRST, 1967

REGISTERED OFFICE 11055 - 107 STREET, EDMONTON, ALBERTA

BOARD OF DIRECTORS

RALPH A. BARD, JR.
Executive
Chicago, Illinois

LAWRENCE L. BELL
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Richardson Securities of Canada
Toronto, Ontario

HADLEY CASE
President, Felmont Oil Corporation
New York, N.Y.

ALEXANDER N. MacIVER
Barrister and Solicitor
Edmonton, Alberta

WILLIAM S. McGREGOR
Executive
Edmonton, Alberta

MARSHAL STEARNS
Partner
T. A. Richardson & Co. Limited
Toronto, Ontario

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President and Managing Director

GUNNAR HAUGRUD
Vice-President, Exploration

C. R. S. MONTGOMERY
Secretary and Vice-President,
Lands and Contracts

DONALD F. BAKER
Vice-President, Engineering

ELMO C. KELLAM
Treasurer

ALEXANDER N. MacIVER
Assistant Secretary

REGISTRAR AND TRANSFER AGENTS

THE ROYAL TRUST COMPANY
EDMONTON, MONTREAL, TORONTO, WINNIPEG, VANCOUVER

AUDITORS

WINSPEAR, HIGGINS, STEVENSON AND DOANE
EDMONTON, ALBERTA

SOLICITORS

JACKSON, ARLETTE & MacIVER
EDMONTON, ALBERTA

LISTING

TORONTO STOCK EXCHANGE

REPORT TO THE SHAREHOLDERS

Your Company recorded new highs in oil reserves, oil production and income during 1967. The additional oil and gas reserves were added in such fields as Zama, Red Earth, Nipisi and Tangent in Alberta, and in Inga and Nancy in British Columbia. Oil production attained an increase of 33% over the previous year. Gross revenue, after deducting royalty but before write-offs, was $659,000 as compared with $501,000 in 1966, a 31% increase. At year end cash and short term investments totalled $503,000 and, in addition, the Company had Government bonds valued at $123,000 on deposit at Government agencies. Numac has no long term indebtedness.

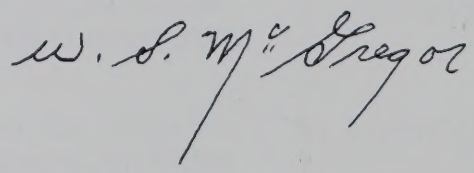
The Company's aggressive land management system resulted in the farming out of several thousand acres to others for exploration during 1967. Management's land policy includes the purchase of proven and semi-proven leases for development and, in addition, the acquisition of geologically attractive properties in unexplored areas. As a result, Numac's land holdings increased from 1,365,000 acres to a year end total of 1,597,000 acres.

Numac and Imperial Oil increased their joint holdings in prospective uranium properties from 597,000 to 673,000 acres in the Lake Athabasca area, Saskatchewan, which will be one of Numac's more significant areas of interest during 1968 (see map). Sizeable exploration expenditures will be made by a number of companies on these uranium holdings to earn interests. Such activities will include considerable geological field work and trenching while diamond drilling programs will be carried out on several uranium prospects during the summer. In addition to the "earning monies" being spent by other companies on Numac's lands, Numac and Imperial Oil will carry out an exploratory program on the Uranium City and East Kisiwak acreage. This program, which will include drilling on the Uranium City acreage, should commence May 15th. Management expects some interesting results could well develop from these various drilling programs.

Other Company diversifications included filing on 67,000 acres of Sulphur Prospecting Permits in the Fort Vermilion area of northeastern Alberta, acquisition of a 25% interest in 119 claims in the interesting Coppermine River area, Northwest Territories, and the taking of an option on 68 claims offsetting uranium and molybdenum prospects at De Vries Lake, Northwest Territories.

The success of Numac Oil & Gas Ltd. is a direct result of the dedication and industry of the Company's small group of employees, and the directors wish to express their appreciation for this contribution and to the shareholders for the confidence accorded by them.

Submitted on behalf of the Board of Directors:



Edmonton, Alberta
March 20, 1968

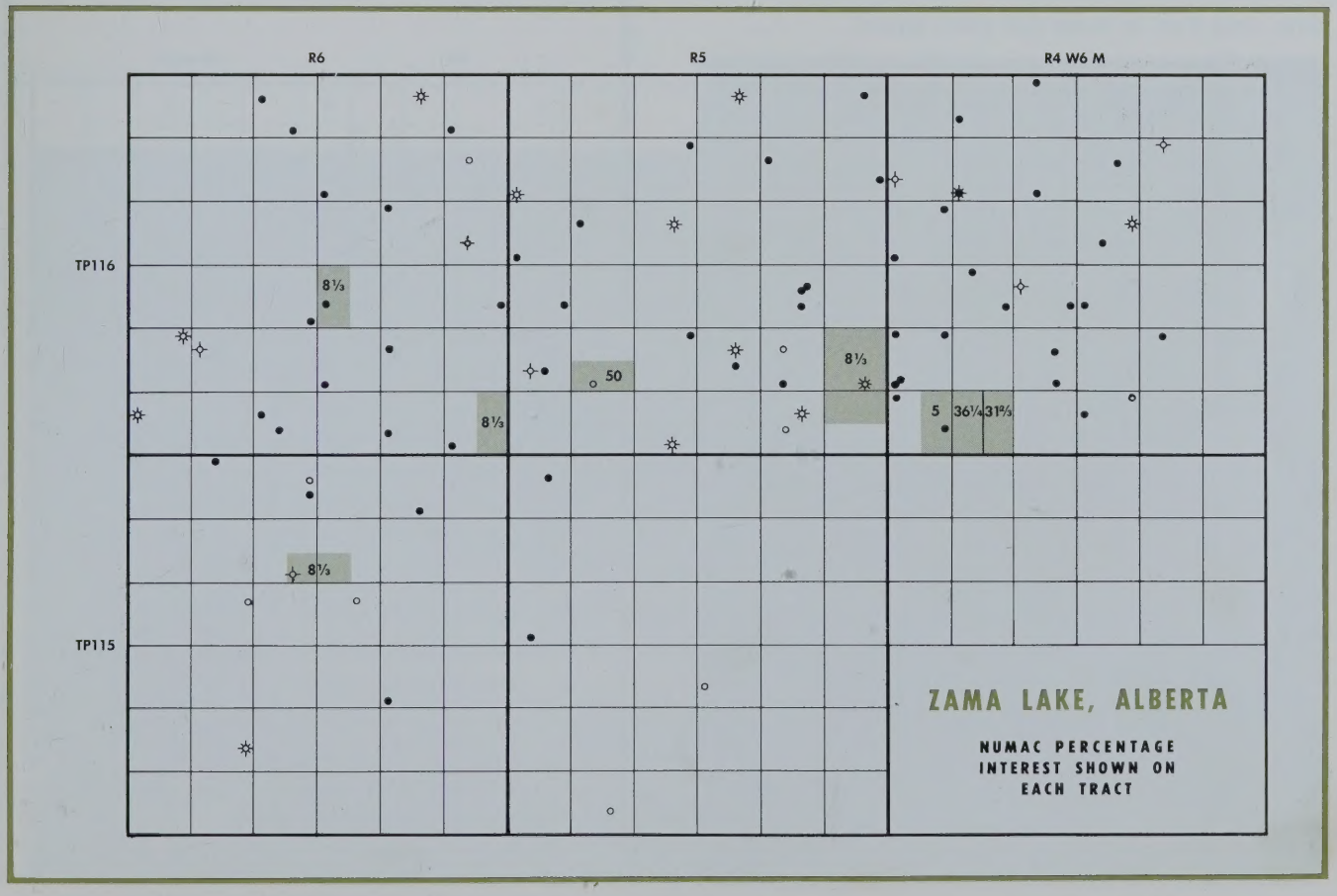
President and Managing Director

OIL AND GAS EXPLORATION AND DEVELOPMENT

The year 1967 was Numac's most active to date in the oil and gas phase of its business. Thirteen test wells were drilled, 10 of which were successful (8 oil, 2 gas), while 3 were dry holes. As a result, the Company realized its greatest increase in oil and gas reserves and income since commencing business. Because some of these wells were drilled near year end, they produced very little revenue in 1967 but will contribute appreciably to 1968 income.

ZAMA LAKE (SEE MAP)

Numac gained a firm foothold in the prolific ZAMA LAKE area during the year. Through participation in detailed seismic programs carried out in specific areas, timed to Crown sales, twenty quarter sections have been purchased to date. Four wells were drilled by the end of the year, three of which were successful and one dry. The first well (5-15-116-6 W6M) completed in two zones (oil in the Keg River and gas in the Sulphur Point) found one of the thicker Keg River pay sections in the field. The second venture (2-12-116-5 W6M) has been capped as a Sulphur Point gas well, and, as will be noted on the adjoining map, is surrounded by Company holdings. The recently-completed third well (8-6-116-4 W6M) appears to be a good Keg River oil producer. Numac's participating interests in Zama Lake vary from 5 to 50 per cent. As of the date of this writing, negotiations have been finalized to commence a well immediately on a half section purchased at the January Crown sale and further drilling is anticipated on certain remaining tracts. Present plans are to continue with the same exploratory approach in Zama Lake and to extend such activities into Rainbow Lake.



RED EARTH - UTIKUMA LAKE

Two oil wells were drilled in the RED EARTH area, one a Granite Wash producer in Lsd. 12-12-88-9 W5M (Numac - 50%) and the second an indicated Slave Point well in Lsd. 12-7-88-8 W5M (Numac—50%). .A third test was abandoned as a dry hole. Since the first of the year, an excellent Granite Wash well was drilled on a 50/50 basis by Numac and its Red Earth associate in Lsd. 4-24-87-9 W5M. In addition to other parcels purchased during the year, two half section leases offsetting the recent well were acquired at the January Crown sale.

In consideration of a free well, Numac pooled acreage with another company in the UTIKUMA (North Nipisi) field. The Initial test resulted in a dual zone (Gilwood Sand-Granite Wash) oil well and the follow-up was also a similar dual zone success. Numac now holds a 15 per cent interest in Section 28-81-8 W5M and the two dual producers.

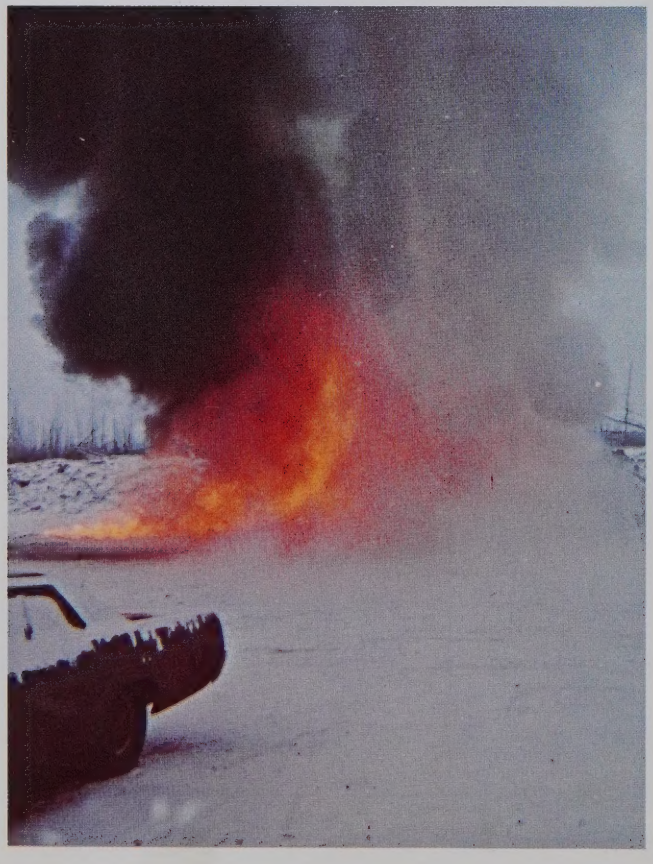
Several leases were added to Numac's acreage holdings between Red Earth and Utikuma Lake, all of which are regarded as being favorably located in the overall Granite Wash "play".

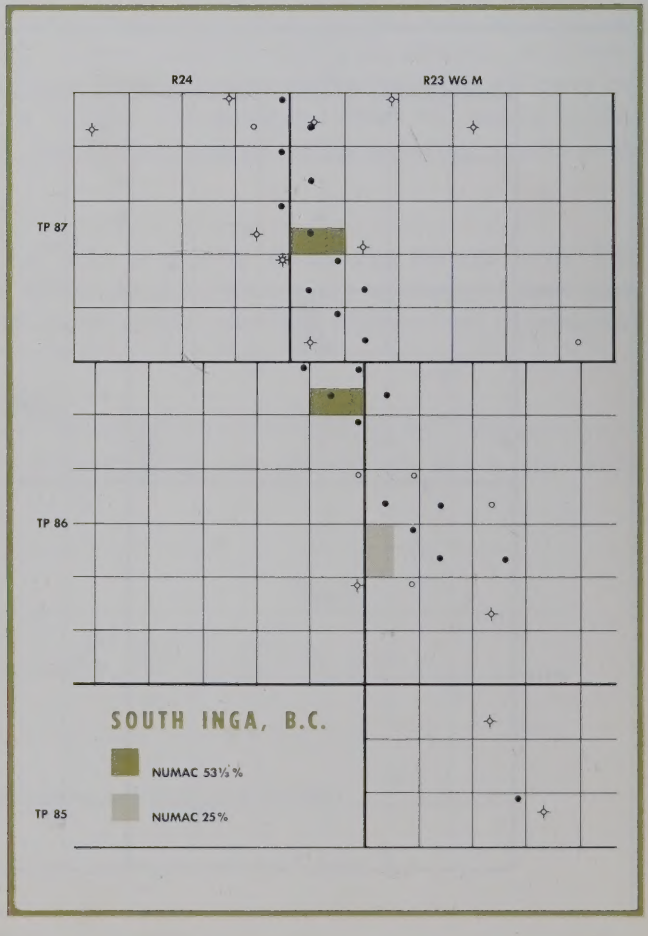
SOUTH INGA, BRITISH COLUMBIA

(SEE MAP)

Pine Pass Oil & Gas Ltd. acquired two half section parcels in the SOUTH INGA area towards the end of the year and drilled a Triassic (Inga Sand) oil well on each tract. These two wells, located in Lsd. 6-18-87-23 and Lsd. 6-36-86-24 W6M, are now on steady production. Numac owns 53 per cent of Pine Pass' issued stock.

Drill Stem Test at recent Red Earth success.





OTHER OIL AND GAS ACTIVITY

A two zone gas well (Peace River Sand and Gething zones) was drilled on Numac's 50 per cent-owned TANGENT area reservation. It has been capped pending market availability. The Company participated to the extent of 20 per cent in a dry Mississippian test on its COCHRANE properties (Southwest of Calgary). Since the first of the year, two dry holes have been drilled on an exploratory Granite Wash "play" in the BAT LAKE area (approximately half way between Utikuma Lake and Red Earth) and a third test is being drilled at the time of this writing. Numac is supplying 20 per cent of the drilling costs.

Besides adding acreage in areas close to present key holdings, Numac acquired a 25 per cent interest with a major company in a 44,192 acre permit in the PETITOT RIVER area of northeast British Columbia, as well as a 50 per cent interest with another exploration firm in two reservations containing 114,400 acres in the LEADER area of southwest Saskatchewan. Both the British Columbia and Saskatchewan lands are in gas prone areas and are near gas gathering systems. During the year Banner Petroleums Limited (exploration company formed by Trans-Canada Pipe Lines Limited) supplied all the costs of the Tangent gas well plus other considerations to gain a 50 per cent interest in several of Numac's northern Alberta petroleum and natural gas reservations.

Numac has held for some years a 5 per cent participating interest in BITUMINOUS SANDS lease No. 18, well-positioned in the Athabasca Tar Sands area. An arrangement has recently been negotiated whereby the Company will receive a cash consideration for its participating interest and will retain with other associates a net profits interest in the lease. As a result, a major independent oil and gas company with the financial capabilities required to develop such projects as the Tar Sands will hold the full participating interest in the lease, subject to the net carried interest.

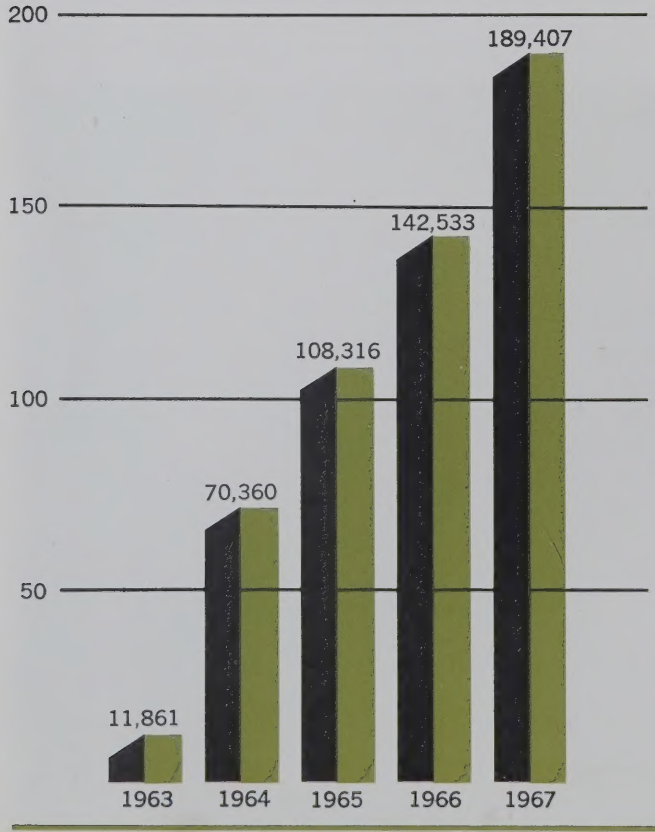
Bringing in Zama 5-15

PRODUCTION

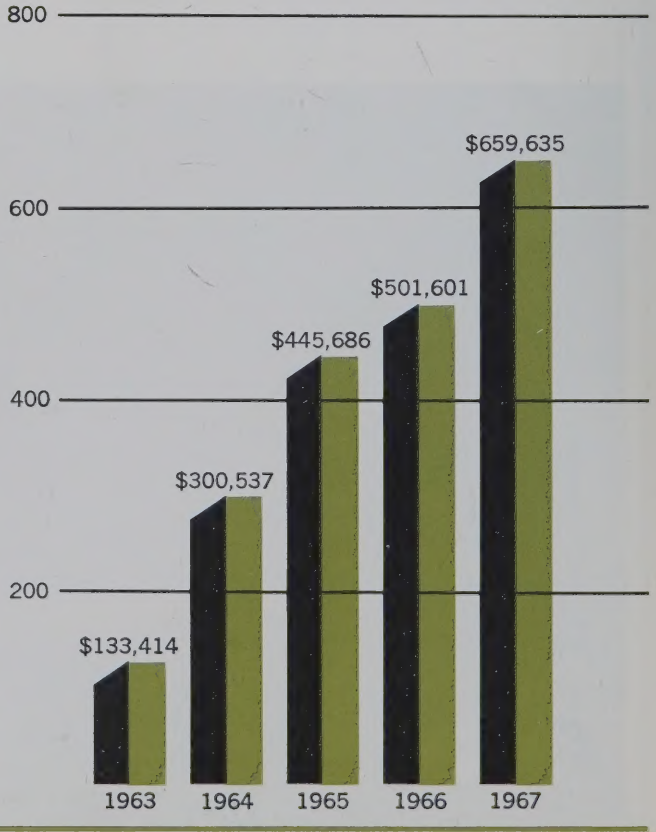
Numac's net production for 1967 was 189,407 barrels which is a 32.9% increase over the net production for 1966. This substantial increase was due to large additional production from interests in the Red Earth field in northern Alberta and from the Peejay area of British Columbia. To a lesser degree, wells in the Mitsue, Nipisi, Zama and South Inga fields, in which Numac has interests, contributed to this increased production. It is anticipated that further large increases can be expected from Zama and South Inga since some of these properties have only recently been placed on production. During the past year the East Swan Hills Unit was formed for the purpose of establishing a secondary recovery scheme and a waterflood project has since been successfully instigated. This Unit includes a well owned 50% by Numac. Negotiations are nearing completion for the unitization of the Mitsue Field which will further enhance Numac's production. During January of this year Numac completed a good oil well in the Red Earth field and, through the formation of additional lands into a Production Spacing Unit, will substantially increase production from this field during 1968.

The formula for prorationing of production to market demand for the Province of Alberta will change on May 1, 1968 to one based almost entirely on reserves. Since Numac's production interests are concentrated in high reserve fields such as Red Earth, Swan Hills, Utikuma, Nipisi and Mitsue, the new method of prorationing will increase well allowables significantly for the Company.

NET PRODUCTION AFTER ROYALTY
THOUSANDS OF BARRELS



GROSS INCOME
THOUSANDS OF DOLLARS



URANIUM EXPLORATION

Exploration on Numac's uranium holdings in the LAKE ATHABASCA area proceeded at an accelerated rate during 1967 with total expenditures exceeding $400,000. Farmout arrangements, together with the Saskatchewan Government's Precambrian Incentive Plan, enabled Numac to maintain a 25 to 50 per cent interest in 673,000 acres and the exploration programs at a cost of less than $20,000. Expenditures to be made on these lands during 1968 are estimated at over $500,000. During the past year, Numac increased its acreage holdings by 76,000 gross acres, mainly in the Charlebois Lake and Kisiwak Lake areas (see map in folder). This staking was a direct result of encouraging prospects uncovered by the exploration programs in these two areas.

Limited diamond drilling was carried out on two prospects in the CHARLEBOIS LAKE area. The M-13 anomaly at Spreckley Lake is part of a uranium-molybdenum bearing pegmatite zone extending for over three miles along the Spreckley Peninsula. Drilling on this anomaly consisted of ten holes totalling 2,540 feet. Grades averaging 2.5 pounds U_3O_8 and 1.0 pounds MoS_2 per ton were obtained in lenses 5 to 10 feet wide. The second anomaly drilled, located near the east boundary of Permit No. 3, was designated A-20 since it was discovered by the airborne scintillometer. It consists of radioactive pegmatites 5 to 30 feet wide extending over a known area 300 feet by 200 feet. Eleven holes totalling 2,850 feet have so far proven up 146,000 tons of potential ore, grading 2.8 pounds U_3O_8 per ton, with average widths of 16 feet. Additional drilling will be carried out on both of these prospects in 1968.

A very encouraging vein-type deposit was discovered by Trans-Canada Oils Ltd. late in 1967 on Numac's acreage in the KISIWAK LAKE area. The discovery is, in fact, an extension to a former high grade deposit which in 1956 shipped out 2.1 tons of material yielding 246 pounds U_3O_8. Seven large pits have been opened up along a strike length of 800 feet with six of the pits indicating mineable widths of high grade ore. The vein system occurs in granitic rock adjacent to a quartzite band and has been traced for a

Checking radioactive readings with SPP2N scintillometer. This instrument is a vast improvement over the models used in the 1950's.

Fueling up after a day of surveying. Note airborne scintillometer mounted on rear of side carrier.

length of 1600 feet. Considerable drilling is planned for 1968 to obtain accurate grades and to determine the nature and extent of the vein system.

We are pleased to announce that permit No. 4 at CAMSELL PORTAGE, jointly owned by Numac and Imperial Oil, has been farmed out to King Resources Company, a Denver based oil and mining company. Over the next two years King Resources will carry out a major exploration program on this acreage to earn a 50 per cent interest. An airborne scintillometer survey was conducted over the permit by Numac in 1967 and a number of interesting anomalies were indicated.

Exploration on PERMIT No. 1 and the adjoining claim blocks (shown in pink on the enclosed map) was carried out by Numac and Imperial Oil. Detailed airborne scintillometer surveys, with lines flown at 400 foot spacing, were conducted over five areas of particular merit and along prominent lineaments. Three hundred and sixty-four responses were indicated of which approximately one-half were examined on the ground. One thousand and fifty feet of exploratory drilling was carried out in areas of thick overburden to check structures and surface showings. This program will be continued in the coming year with 3000 to 4000 feet of drilling along the Black Bay fault where it extends into Permit No. 1. Drilling is also scheduled for two additional showings which were mapped in detail in 1967. During the past two summers airborne and ground surveys have turned up over 800 radioactive occurrences on Permit No. 1 and the adjoining claim blocks. Although no commercial finds have been made to date, the potential of this area cannot be over-emphasized.

Ready to move out at sun-up

SULPHUR

Towards the end of the year Numac further diversified into the mineral field by taking out two Sulphur Prospecting Permits, containing 67,200 acres, in the Fort Vermilion area of northeastern Alberta. A major sulphur prospecting "rush" has occurred in the area during the past several months and several million acres have been filed on by different parties, including many independent and major oil and gas companies. Extensive exploratory work is slated for the area this summer and Numac is presently formulating a program for its two permits. As a result of a recent agreement with another firm this exploration work will be carried out at virtually no cost to Numac.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

Year Ended December 31, 1967 (with comparative figures)

	1967	1966
Income		
Proceeds from oil production and oil royalties, less royalties paid	$ 564,034	$ 401,440
Option deposit forfeited and profit on disposal of interests in petroleum and natural gas rights and mining properties	25,222	5,000
Supervision fees	25,283	21,860
Investment earnings	45,096	73,301
	659,635	501,601
Expenses		
Dry hole costs	188,729	161,381
General and administrative (Note 8)	164,122	140,813
Interest in petroleum and natural gas rights surrendered	50,763	41,617
Interest	7,255	553
Lease and reservation rentals	45,527	48,898
Operating costs	93,146	57,254
Provision for depletion and amortization (Note 7)	111,060	72,753
Provision for depreciation	26,297	20,107
	686,899	543,376
Net income (loss) including minority shareholders' interest	(27,264)	(41,775)
Minority shareholders' interest in net income of subsidiary company	36,904	26,714
Net income (loss)	(64,168)	(68,489)
Deficit January 1 (Note 7)	136,489	68,000
Deficit December 31	$ 200,657	$ 136,489

The accompanying notes form part of this statement.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1967 (with comparative figures)

	1967	1966
Source		
Profit before provision for depletion and amortization, depreciation, dry hole costs, interests in petroleum and natural gas rights surrendered and profits on disposal of interests in petroleum and natural gas rights	$ 287,459	$ 222,369
Proceeds from option deposit forfeited and disposal of interests in petroleum and natural gas rights	61,780	5,000
Advances under Precambrian Incentive Program	40,214	49,804
Minority shareholders' interest in net income of subsidiary company	36,904	26,714
Shares issued upon exercises of share purchase warrants	32,271	—
	458,268	303,887
Application		
Purchase of		
Fixed assets	141,851	60,813
Investments	35,322	74,122
Interests in petroleum and natural gas rights	777,206	335,502
Development costs incurred	543,397	299,997
Acquisition and exploration costs of mining properties	54,409	69,487
Organization and incorporation costs	—	430
	1,552,185	840,351
Decrease in working capital	(1,093,557)	(536,464)
Working capital January 1	1,241,553	1,778,017
Working capital December 31	$ 147,996	$1,241,553

NUMAC

AND ITS SUBS

CONSOLIDATE

December 31, 19

ASSETS

	1967	1966
Current		
Cash	$ —	$ 50,699
Term deposits, treasury bills and guaranteed investment certificates—at cost	551,927	1,080,785
Receivables (Note 1)	238,611	296,636
Materials and supplies on hand—at cost	38,663	47,989
Prepaid expenses and deposits	9,555	4,549
	838,756	1,480,658
Investments (Note 2)	178,525	143,203
Leases and development costs (Note 3)	3,593,799	2,646,112
Equipment, furniture and fixtures (Note 4)	336,441	220,886
Organization and incorporation costs	40,671	40,671
Excess of cost of shares in subsidiary company over book value at date of acquisition	148,400	148,400
	$5,136,592	$4,679,930

On behalf of the board

"W. S. McGREGOR" —*Director*

"A. N. MacIVER" —*Director*

The accompanying notes form part of this statement.

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of Numac Oil and Gas Ltd. and its Subsidiary Companies as at December 31, 1967 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDMONTON, Alberta.
March 11, 1968

WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants.

OIL & GAS LTD.

COMPANIES

LANCE SHEET

(with comparative figures)

LIABILITIES

	1967	1966
Current		
Bank	$ 382,001	$ —
Payables and accruals	308,759	239,105
	690,760	239,105
Minority shareholders' interest in subsidiary company	65,018	28,114
	755,778	267,219

SHAREHOLDERS' EQUITY

Share capital (Note 6)		
Authorized		
5,000,000 shares without nominal or par value		
Issued and outstanding		
3,209,925 shares (3,200,000 shares—1966)	4,581,471	4,549,200
Deficit	(200,657)	(136,489)
	4,380,814	4,412,711
	$5,136,592	$4,679,930

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1967

	1967	1966
1. Receivables		
Trade—Oil production	$ 96,637	$ 85,778
—Other	51,086	85,568
Precambrian Incentive Program claims (Note 5)	85,883	99,608
Accrued interest	5,005	25,682
	238,611	296,636
2. Investments		
Recoverable deposits	143,962	109,734
Share (at cost) and advances	33,788	33,469
Special refundable tax	775	—
	$ 178,525	$ 143,203

	1967	1966
3. Leases and development costs		
Interest in petroleum and natural gas rights—at cost	$2,464,509	$1,772,124
Development costs		
Productive wells	1,309,025	938,451
Capped gas wells and wells in progress	90,698	109,105
Acquisition and exploration costs of mining properties	123,896	69,487
	3,988,128	2,889,167
Deduct: Allowance for depletion and amortization	304,311	193,251
Advances from Government of the Province of Saskatchewan under Precambrian Incentive Program (Note 5)	90,018	49,804
	394,329	243,055
4. Equipment, furniture and fixtures		
Production and automotive equipment, furniture and fixtures—at cost	410,985	274,141
Deduct: Accumulated depreciation	74,544	53,255
	$ 336,441	$ 220,886

5. Advances from Government of the Province of Saskatchewan under Precambrian Incentive Program

These advances are received to assist with the financing of exploration work carried out on the mining properties. They are repayable without interest from any profits on the mineral production from the properties on which the eligible exploration work was performed. If no profits are realized the funds received are not repayable.

6. Share capital

552,000 shares are reserved for issuance upon the exercise of Share Purchase Warrants issued under a Warrant Indenture, dated June 15, 1963, between the Company and the Royal Trust Company, as Trustee. The Warrants entitled the holders thereof to purchase Shares without nominal or par value of the Company, as presently constituted, at the following prices:

If purchased after June 30, 1966 but prior to the close of business on June 30, 1967—$3.25 per share.

If purchased after June 30, 1967 but prior to the close of business on June 30, 1968—$4.00 per share.

During the year the following Share Purchase Warrants were exercised:

9,905 Shares @ $3.25	$32,191
20 shares @ $4.00	80
	$32,271

542,075 Shares still remain reserved for issuance upon the exercise of the Share Purchase Warrants.

An option, expiring January 2, 1969, was granted to an employee of the Company on January 2, 1964 to purchase 10,000 Shares without nominal or par value of the Company, as presently constituted, at the price of $1.60 per share. The option becomes exercisable at the rate of 2,000 shares on each of January 2, 1965, January 2, 1966, January 2, 1967, January 2, 1968 and January 2, 1969 and it may be allowed to accumulate during the period. No part of this option has been exercised at this balance sheet date.

7. Accounting Principles

The cost of interests acquired in petroleum and natural gas rights and mining claims, the geological, geophysical and exploration costs thereon and the costs of successful wells are capitalized when incurred.

Lease and reservation rentals and other carrying charges on petroleum and natural gas rights and mining properties are charged to expense when incurred.

Dry hole costs are charged to expense when the status of the well is determined.

The costs of abandoned petroleum and natural gas rights and the related geological and geophysical costs are charged to expense at the time of surrender.

Profits or losses on disposals of interests in petroleum and natural gas rights are credited or charged to income at the time of disposal.

Depletion is recorded on successful well costs and related geological and geophysical and petroleum and natural gas rights costs on a unit-of-production method based on estimated oil and gas reserves. During 1967 the provision for depletion for 1966 was reduced by $31,698 and the provision for the periods prior to 1966 was reduced by $63,842 as a result of a major revision in the estimated oil and gas reserves of producing properties. The Statement of Income and Deficit shows the resulting adjusted deficit as at January 1, 1966 and adjusted provision for depletion for the year ended December 31, 1966.

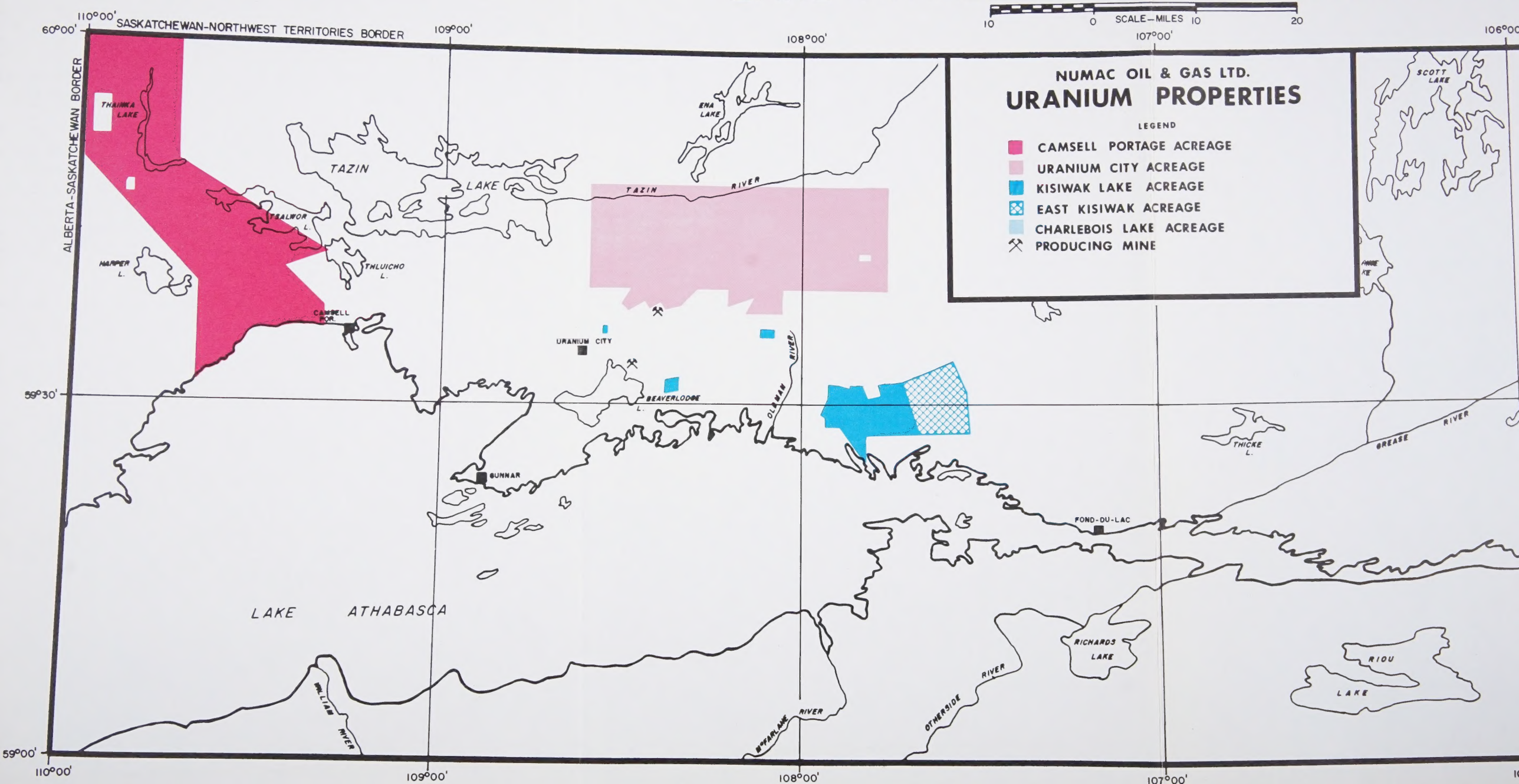
Depreciation of fixed assets is provided on a straight line basis at rates calculated to amortize the costs of the respective items over their estimated useful lives.

All acquisition and exploration costs of mining properties are considered on a project basis and therefore when individual properties are surrendered the costs are not charged to expense unless the whole related project is abandoned.

8. Remuneration to Senior Officers and Directors

In accordance with the provisions of the Companies Act (Alberta) it is reported that the remuneration paid to the senior officers of the Company (as defined by that Act) amounted to $73,800 (1966 - $72,335) and Directors' fees amounted to $400 (1966 - $150).

LAKE ATHABASCA AREA, SASKATCHEW



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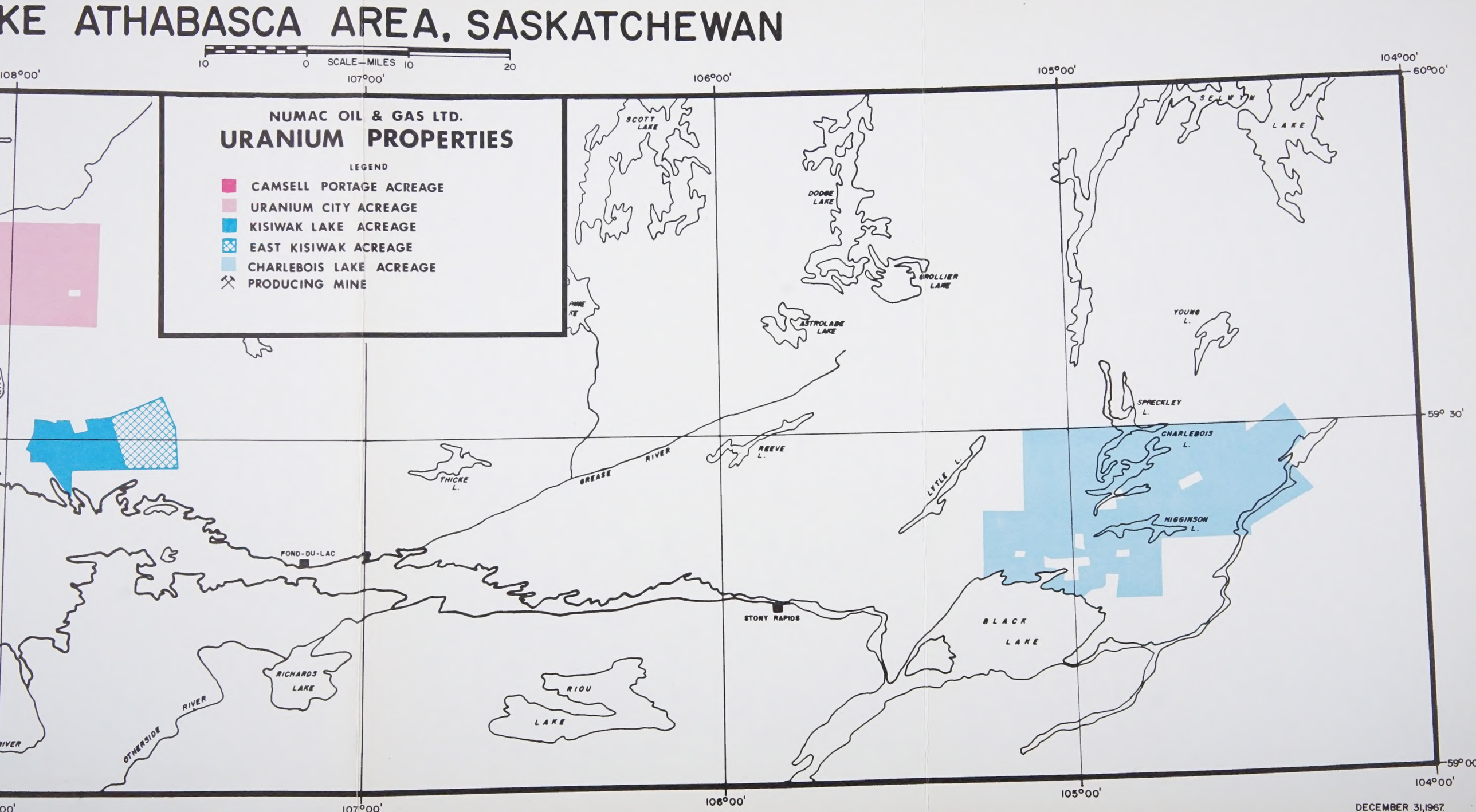

DECEMBER 31,1967

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